

\$50,000,000*

\$30,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE NOTES
(INSPIRE CHARTER SCHOOLS)
SERIES 2019B (TAX EXEMPT)

\$20,000,000*
CALIFORNIA SCHOOL FINANCE AUTHORITY
REVENUE NOTES
(INSPIRE CHARTER SCHOOLS)
SERIES 2019C (TAXABLE)

EXECUTIVE SUMMARY
RESOLUTION

Borrowers:	(a) Inspire Charter School –Central, (b) Pacific Coast Academy, (c) Heartland Charter School and (d) Inspire Charter School – Kern
Project Users:	The Borrowers
Note Amount:	Not to exceed \$50,000,000
Expected Issuance:	July 2019
Project:	The proceeds of the Note will be used as working capital for the various Borrowers.
Note Type:	Tax Exempt Revenue Notes and Taxable Revenue Notes
Project Location:	Working capital in counties listed below
Counties Served:	Sutter, Fresno, San Diego, Kern
District in which Project is Located:	Westside Elementary School District, Dehesa School District, Maricopa Unified School District
Charter Authorizer:	Westside Elementary School District, Dehesa School District, Maricopa Unified School District
Est. Annual Payment:	N/A
Anticipated Rating:	N/A
Structure:	\$ 50,000,000
Sale Method:	Public Offering
Underwriter:	Piper Jaffray & Co.
Bond Counsel:	Orrick Herrington & Sutcliffe
Trustee:	Wilmington Trust, National Association

*Not to Exceed Amount. 30/20 Split is Based on Current Expectations. If Heartland and Inspire Central receive 501c3 determination before pricing funds likely to shift from Taxable to Tax-Exempt.

I. Use of Note Proceeds

According to information provided by the applicant / borrower, as a new organization, the Inspire Network made large investments into infrastructure to allow for growth, resulting in deficits and a negative fund balance for the first few years of operations. Due to the State's delay in applying current Average Daily Attendance (ADA) to funding streams, deficits were exacerbated by lack of financing options and the high costs of capital. While the schools have applied for and received Advanced Apportionments through Pupil Estimates for New or Significantly Expanding Charters (PENSEC) and the Charter School Revolving Loan fund (issued through CSFA), the size of growth still led to large cash flow short falls.

Inspire used revenue note proceeds totaling \$35,000,000, approved by the CSFA Board in February, as working capital at its various campuses in anticipation of state receivable distributions. Previously Inspire met their cash flow borrowing needs through a factoring program, and the initial note issuance was intended to help move the school away from factoring. Outstanding factoring funds totaling between \$35 million and \$45 million were owed in March and April of 2019.

While the last RAN issuance was successful in moving the Inspire schools away from factoring it did not eliminate Inspire's need for working capital, precipitated primarily by the rate of expansion by the Inspire Network, which causes cash flow shortfalls in the first two quarters of the school year. The \$50,000,000 will be used to aide in the early stages of expansion, with the year-long maturity commencing when the schools are more stabilized financially. The intercepts will occur in April, May and June, with the notes paid off July 15th.

Borrower	Authorizer	Location	Purpose	Amount (Net of COI)
Inspire Charter School- Central	Westside Elementary School District	1781 East Fir Ave. Suite #101, Fresno, CA 93720	Working Capital	\$4,068,000
Pacific Coast Academy	Dehesa School District	353 East Park Ave. Suite 201, El Cajon, CA 92020	Working Capital	\$6,102,000
Heartland Charter School	Maricopa Unified School District	5060 California Ave. #420 Bakersfield, CA 93309	Working Capital	\$14,238,000
Inspire Charter School – Kern	Maricopa Unified School District	5060 California Ave. #420 Bakersfield, CA 93309	Working Capital	\$21,357,000
Total Estimated Project Costs				\$50,000,000

II. Inspire Charter Schools

Inspire is a network of independent study charter schools. There are currently 9 charters, located throughout California, largely in lower-to-middle income communities. Beginning in the 2019-20 school year the total number of charters will be 12. Their current enrollment across all schools is close to 19,000 students. The schools and their authorizers include:

- Clarksville Charter School – Buckeye Union School District – 7/1/17-6/30/22
- The Cottonwood School – Buckeye Union School District – 7/1/18-6/30/23
- Granite Mountain Charter School – Lucerne Valley Unified School District – 7/1/19-6/30/24
- Heartland Charter School – Maricopa Unified School District – 7/1/18-6/30/23
- Inspire Charter School Kern – Maricopa Unified School District – 7/1/16-6/30/21
- Inspire Charter School Los Angeles – Acton-Agua Dulce Unified School District --
- Mission Vista Academy – Beaumont University – 7/1/19-6/30/24

- Monarch River Academy – Alta Vista Elementary – 7/1/19-6/30/24
- Inspire Charter School North – Winship Robbins School District – 7/1/16-6/30/21
- Pacific Coast Academy – Dehesa School District – 7/1/17-6/30/22
- Inspire Charter School South – Dehesa School District – 7/1/15-6/30/20
- Inspire Charter Schools Winship Central – Winship Robbins School District (Winship); Westside Elementary School District (Central) – 9/1/16-6/30/23

The charter for Inspire Charter School Los Angeles expires June 30th and the school is not seeking renewal.

This is Inspire's second financing through CSFA. Their first was approved by the Board in February. In that case the transaction was for RANs with a 6-month duration in a not-to-exceed amount of \$28,000,000, also for working capital. The existing RANs mature on July 15, 2019. The anticipated closing of this issuance is July 24, 2019, after the existing RANs mature and is fully paid.

III. Financial Structure

The Notes will be structured as a 12 month, tax-exempt fixed rate note with interest paid upon maturity. They will be issued at the market interest rate for similar credit quality debt instruments. Estimated annual interest rate is expected to be between 4.50%-5.50%. Cost of issuance on the Notes is expected to be around 1.00%-2.00% of the par-amount.

IV. Security and Source of Payment

The Notes will be secured by all available revenues of the Borrowers, including, but not limited to, federal, state, local, and extraordinary revenue sources. Such revenues are expected to be intercepted from certain of the Borrowers' monthly apportionments. The Borrowers will be required by CSFA to utilize the State Controller's Intercept Mechanism to ensure that payments toward debt service associated with the underlying loan is paid to the Trustee directly by the State in the months scheduled under the terms of the loan agreement.

V. Preliminary Sources and Uses/Costs of Issuance

Below are the preliminary sources and uses, and detailed information about the costs of issuance for board consideration. Please note, these figures are subject to change between the time board packets are distributed and the time of the board meeting. Members will be provided updated figures should they change before the board meeting date.

Sources and Uses

Sources:	Series 2019 B (Tax-Exempt)	Series 2019 C (Taxable)	Total
Bond Proceeds:			
Par Amount	\$30,000,000	\$20,000,000	\$50,000,000
Premium	\$0.00		\$0.00
Equity/Other	\$0.00		\$0.00
Total:	\$50,000,000		\$50,000,000
Uses:	Series 2019 (Tax-Exempt)		Total
Project Fund Deposits:			
Working Capital	\$29,694,000	[To come from Piper]	\$49,194,000
Other Fund Deposits:			
Debt Service Reserve Fund			
Delivery Date Expenses:			
Cost of Issuance	\$306,000		\$306,000
Underwriter's Discount	\$500,000		\$500,000
	\$806,000		\$806,000
Other Uses of Funds:			
Contingency			
Total:	\$50,000,000		\$50,000,000

Cost of Issuance

Expense	Amount
CSFA Issuance Fees	\$37,500.00
CSFA Admin Fees	\$0.00
Issuer's Counsel Fees	\$5,000.00
Agent-for-Sale Fees	\$6,000.00
Underwriter's Discount Fees	\$500,000.00
Bond Counsel Fees	\$95,000.00
Borrower's Counsel Fees	\$50,000.00
Underwriter Counsel Fees	\$50,000.00
Trustee Fees	\$3,000.00
Contingency Fees	\$45,000.00
Underwriter Expenses	\$12,000.00
Total	\$806,000.00

**Estimates based on a total Par Amount of \$50,000,000.00*

VI. Borrower Financial Data

Each Borrower is a California nonprofit public benefit corporation formed to operate one or more charter schools. Each Borrower other than Inspire Charter School – Central and Heartland Charter School has received a determination letter from the Internal Revenue Service recognizing it as an entity described in Section 501(c)(3) of the Code. Therefore, it is expected that note proceeds loaned to Inspire Charter School – Central and Heartland Charter School will be loaned from CSFA Notes issued on a taxable basis.

VII. Due Diligence Undertaken to Date

No information was disclosed to question the financial viability or legal integrity of the Borrower. Standard opinions of counsel (i.e., that the borrowing entity has been duly organized, is in good standing, is a 501(c)(3) organization (as applicable), has the full authority to enter into all documents which are valid and binding, etc.) will be delivered at closing.

VIII. Note Sales Restrictions

Per Debt Issuance Guidelines adopted by the CSFA board, and given that the notes will be unrated, the following sales restrictions will apply to the Inspire Charter Schools financing: <http://treasurer.ca.gov/csfa/financings/guidelines.pdf>.

1. Notes will be in minimum denominations of \$100,000;
2. Notes will be privately placed or publicly offered initially to QIBs and AIs;
3. Initial note purchasers will be required to execute an Investor Letter;
4. Subsequent transfers of notes will be limited to QIBs and AIs;
5. Sales restrictions will be conspicuously noted on note and described in detail in offering materials, if any, as well as in the note documents;
6. One or more of the following will be required depending on the transaction, as requested by the financing team and approved by the Authority:
 - a. Traveling Investor Letter; or
 - b. Higher minimum denominations of \$250,000; or
 - c. Physical Delivery; or
 - d. Limited initial sale to QIBs, with subsequent transfers limited to QIBs as well; or
 - e. Other investor protection measures
7. Note payments will be made via the intercept mechanism outlined in Section 17199.4 of the Education Code

IX. Staff Recommendation

Staff recommends CSFA approve Resolution Number 19-15 Authorizing the Issuance of Revenue Notes in an Amount Not to Exceed \$50,000,000 for Working Capital for Inspire Charter School – Central; Pacific Coast Academy; Heartland Charter School; and Inspire Charter School – Kern.

Exhibit A

Inspire Projected ADA, RNs as % of Funds Available & Repayment Schedule

Inspire Charter Schools - Consolidated

Calculation of RANs as a % of Funds Available

Revised 5/9/19

	RAN Amount (net of COI)	2019-20 LCFF and EPA Apportionments			
		LCFF/EPA Available	Funds Sold to CSC	Net LCFF and EPA Available	Note as a % of Available Funds
Central	4,000,000	18,738,153	-	18,738,153	21.3%
x Granite Mountain	-	18,912,380	(2,800,000)	16,112,380	0.0%
Heartland	14,000,000	41,872,563	-	41,872,563	33.4%
Kern	21,000,000	60,338,986	(9,929,835)	50,409,151	41.7%
x Monarch River	-	9,144,324	(1,300,000)	7,844,324	0.0%
x Mission Vista	-	32,074,990	(5,700,000)	26,374,990	0.0%
x North	-	18,843,927	-	18,843,927	0.0%
South	-	29,639,332	(12,450,809)	17,188,522	0.0%
Pacific Coast	6,000,000	30,002,944	-	30,002,944	20.0%
x Cottonwood	-	16,203,385	(4,500,000)	11,703,385	0.0%
Clarksville	-	7,927,542	-	7,927,542	0.0%
x Winship	-	1,513,049	-	1,513,049	0.0%
Total	45,000,000	285,211,575	(36,680,644)	248,530,931	18.1%

Inspire Charter Schools - Consolidated

Calculation of RANs as a % of Funds Available

Revised 5/16/19

	RAN Amount (net of COI)	2019-20 LCFF and EPA Apportionments			
		LCFF/EPA Available	Funds Sold to CSC	Net LCFF and EPA Available	Note as a % of Available Funds
Central	4,068,000	18,738,506	-	18,738,506	21.7%
Heartland	14,238,000	41,872,563	-	41,872,563	34.0%
Kern	21,357,000	60,372,366	(9,929,835)	50,442,531	42.3%
Pacific Coast	6,102,000	29,972,917	-	29,972,917	20.4%
Total	45,765,000	150,956,351	(9,929,835)	141,026,516	32.5%

Inspire Charter Schools - RAN Group

Projected ADA

Revised 5/16/19

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
	LP1	LP2	LP3	LP4	LP5	LP6	LP7	LP8
Attendance Date:	8/15/19	9/15/19	10/15/19	11/15/19	12/15/19	1/15/20	2/15/20	3/15/20
Central	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215
Heartland	5,015	5,015	5,015	5,015	5,015	5,015	5,015	5,015
Kern	7,203	7,203	7,203	7,203	7,203	7,203	7,203	7,203
PCA	3,488	3,488	3,488	3,488	3,488	3,488	3,488	3,488
Total Enrollment	17,921	17,921	17,921	17,921	17,921	17,921	17,921	17,921
Change		-	-	-	-	-	-	-
Total LP ADA Data*	17,025	17,025	17,025	17,025	17,025	17,025	17,025	17,025
Attendacne Rate	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%

Projected ADA 17,025

* NOTE : Projected this year

Inspire Charter Schools - RAN Group

Schedule of Issuance and Repayment

Revised 5/16/19

	RAN Amount	May Repayment (Apr Appor.)			June Repayment (May Appor.)			July Repayment (June Appor.)		
		LCFF/EPA Available	Principal	Interest	LCFF/EPA Available	Principal	Interest	LCFF/EPA Available	Principal	Interest
Central	4,068,000	1,870,019	1,356,000	56,500	1,870,019	1,356,000	56,500	1,975,232	1,356,000	40,250
Heartland	14,238,000	5,373,045	4,746,000	197,750	5,373,045	4,746,000	197,750	5,611,258	4,746,000	151,083
Kern	21,357,000	8,287,931	7,119,000	296,625	8,287,931	7,119,000	296,625	8,630,074	7,119,000	226,625
Pacific Coast	6,102,000	2,547,656	2,034,000	76,275	2,547,656	2,034,000	76,275	2,713,336	2,034,000	76,275
Total	45,765,000	18,078,652	15,255,000	627,150	18,078,652	15,255,000	627,150	18,929,899	15,255,000	494,233